



April 14, 2017

Internal Revenue Service,
Room 6141,
1111 Constitution Avenue NW.,
Washington, DC 20224

Re: Proposed Collection; Comment Request for Statements to Recipients of Dividend Payments
Title: Statements to recipients of dividend payments.
OMB Number: 1545-0747. Form Number: 5498.

Dear Sir or Madam,

IRS Form 5498, IRA Contribution Information, is used to report contributions to IRAs, including Roth IRA conversions.

As noted in a statement on the IRS's website, specifically at <https://www.irs.gov/retirement-plans/form-5498-errors-by-ira-trustees-issuers-and-custodians-may-cause-tax-trouble>, titled "Form 5498 - Errors by IRA Trustees, Issuers and Custodians May Cause Tax Trouble", one of the errors often made is "Failing to report the contribution as a conversion from a traditional IRA to a Roth IRA".

In order to properly resolve this issue, there are two issues that need to be addressed in the instructions for Form 5498 and the Form itself.

Issue 1: Making it clear to IRA custodians that indirect Roth conversions must be reported *in Box 3. Roth IRA Conversion Amount of Form 5498.*

As provided under §1.408A-4 Q & A (b) (1), an amount distributed from a traditional IRA can be converted to a Roth IRA, if the amount is contributed (rolled over) to a Roth IRA within the 60-day period described in IRC § 408(d)(3)(A)(i).

This is commonly referred to in the industry as an 'indirect IRA conversion'.

As with a direct IRA conversion under §1.408A-4 Q & A (b) (2) and §1.408A-4 Q & A (b) (3), an indirect conversion is required to be reported in Box 3. Roth IRA Conversion Amount of Form 5498.

However, many IRA custodians refuse to report indirect Roth IRA conversions in Box 3. Roth IRA Conversion Amount of Form 5498, and instead, report such amounts as rollover contributions in Box 2. Rollover Contributions.

Proposed solution

This can be resolved by:

- Adding a bullet point for the instructions for Box 2. Rollover Contributions, stating "do not report Roth IRA conversion, including indirect 60-day Roth IRA conversions", and including a definition of indirect Roth conversions in the instructions for filing Form 5498.
- Adding a bullet point for the instructions for Box 3. Roth IRA Conversion Amount, stating "this includes indirect 60-day Roth IRA conversions from a traditional, SEP or SIMPLE IRA", and including a definition of indirect Roth IRA conversions in the instructions for filing Form 5498.

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Page 2

Issue 2: Making it clear that the late rollover contributions to an IRA and accompanying reporting requirements also apply to indirect Roth IRA conversions.

In Revenue Procedure 2016-47, the Internal Revenue Service provides a self-certification procedure designed to help recipients of retirement plan distributions who inadvertently miss the 60-day time limit for properly rolling these amounts into another retirement plan or IRA.

The 2017 Instructions for Forms 1099-R and 5498 issued by Department of the Treasury include provisions for IRA custodians to report these late rollovers in Boxes 13a , 13b and 13c of Form 5498, under the category of a 'Postponed contribution" (Box 13a).

However, it is not made clear whether these 'postponed contributions' include indirect Roth IRA conversions that missed the 60-day deadline and qualify for the "self-certification procedure" under Revenue Procedure 2016-47.

As such, IRA custodians are hesitant to apply the self-certification procedure to indirect Roth IRA conversions that miss the 60-day deadline. Even for those that are inclined to apply the self-certification procedure to indirect Roth IRA conversions that miss the 60-day deadline, they are unsure of whether such amounts should be reported in Boxes 13a , 13b and 13c .

Proposed solution

This can be resolved by:

- Creating a separate box for 'postponed indirect Roth IRA conversions', or
- Adding additional instructions to make it clear that late indirect IRA conversions should be reported in Boxes 13a,, 13b and 13c .

Appleby Retirement Consulting Inc. looks forward to working with the IRS to reduce the occurrences of mistakes made with reporting contributions on Form 5498, and to reduce the time and resources spend by IRA custodians and other interested parties on preparing the Form 5498.

Please contact Denise Appleby with any questions or comments regarding the above.

Thank you for your time and consideration,

Sincerely,

Denise Appleby